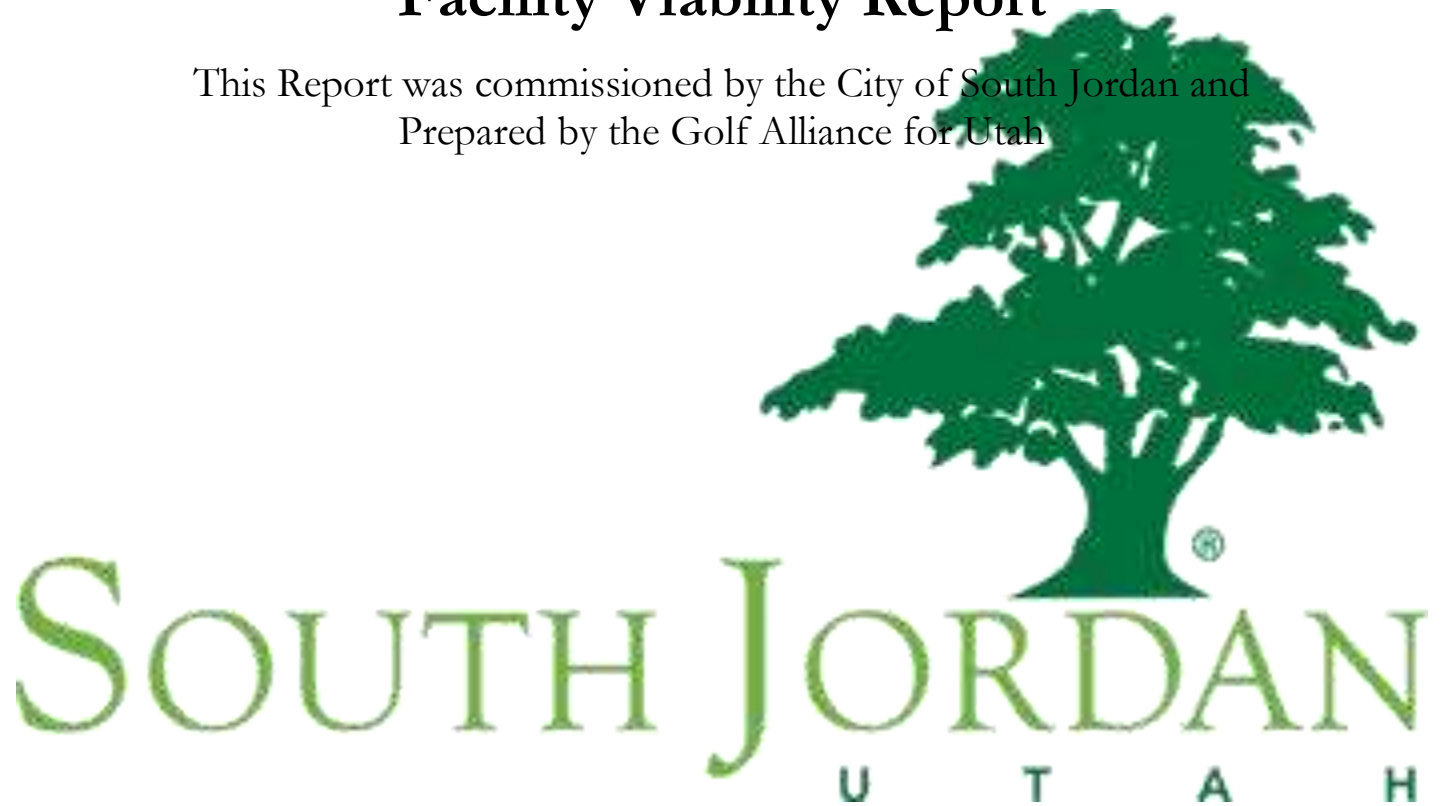


# Mulligans South Jordan

## Facility Viability Report

This Report was commissioned by the City of South Jordan and  
Prepared by the Golf Alliance for Utah



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## **Report Overview**

The Golf Alliance for Utah Has been contracted by the City of South Jordan to analyze and assess the financial and operational viability of the South Jordan City owned and operated Mulligan's Golf and Games recreational facility.

A team of local experts from the Golf Alliance of Utah researched and collated the following information and analysis. The GAU allied members includes: the Utah Section PGA; the Utah Golf Association; the Intermountain Golf Course Superintendents Association; the local chapter of the Club Managers Association of America; Fairways Magazine, and numerous golf facilities within Utah,. For additional GAU information please refer to the provided supplemental information.

This report is based on the most recent national and local statistical findings related to the golf industry. The statistical resources that were used for this report include: PGA PerformanceTrack Reporting (rated #1 national statistical golf reporting system); Utah Golf Economic and Environmental Impact Report (Golf 20/20 by SRI); and Utah on Par (GAU/Utah PGA Utah specific survey report). In addition to the statistical services listed interviews were conducted with South Jordan Administrative Staff; Mulligan's facility staff; and Mulligan's customers and South Jordan City residents. A full financial, facility, and administrative review was completed by the "study team". A list of Study Team members is provided as an appendix to this report.

This report contains a summary analysis of each of the operational factors listed on the content page. At the conclusion of each operational segment are listed the "Report Team's" recommended actions. There is also a prioritized list of collated recommended actions listed the analysis portion of the report.

It should be noted that Mulligan's Golf and Games is a fairly unique facility within the golf industry. Several of their primary facility operations are outside the normal operations of other golf based recreation facilities. Therefore there are few local facilities to directly compare operations with. However the concept of providing family recreational type activities with a core golf theme is a relatively new but sound operational theme within the golf industry. The national and state trend to greater access (entry level golf), shorter time commitments, and family recreational operations are a good fit with Mulligan's current facility and operations structure.

Although there are no direct comparisons for Mulligan's type facilities in Utah or the southwest Salt Lake Valley area this is also a benefit in that there are few direct competitors in their market area. We have been able to use similar operational elements from the operations in the southwest Salt Lake Valley area, other Utah golf facilities, and national facility statistics to make valued assessments for the Mulligan's operations.

## **National Golf Industry Status**

The recent economic recession and the subsequent collapse of the home building and financial bubble had a drastic effect on the golf industry nationally. Prior to 2008 the golf industry was experiencing unprecedented growth in virtually every related industry segment. After years of

unbridled expansion the collapse of the housing industry and the economic recession created as much as a 30% retraction within certain areas of the country's golf markets. The overall impact was a decline of about 15% in the golf industry during the years 2008-2012.

From 2012 on a majority of golf industry operations are trending back up. Two notable exceptions are real-estate based golf operations and high end resorts. Although virtually every aspect of the golf industry was in recession 3 years ago there is better news in the national golf economy today. There has been a general rebalancing of supply of golf facilities and certain areas of the country are experiencing an exciting trend upward, especially new less traditional golf facilities and golf operations.

#### **Utah Golf Economy Status**

The recent Utah Golf Economic and Environmental Study that was contracted by the Golf Alliance of Utah through Golf 20/20 and SRI confirmed many of the facts evidenced in the local golf industry statistics. Utah is the most public golf state in the country. A higher percentage of the state's population plays golf than anywhere else. Several factors are listed by the report to account for the high percentages. Lifestyle preferences; a good state economy; good golf facilities at reasonable green-fee costs; a healthy outdoor lifestyle tradition; and large active families all factor into golf's popularity in Utah.

There is also a higher percentage public access and municipally operated golf facilities in Utah than any other state in the U.S. Currently over 85% of our golf facilities are open to public play. This is just opposite of the rest of the nation. There has been a definite commitment from Utah residents to support golf as a major recreational component in their communities. This public nature of Utah golf has somewhat mollified the economic effects of both the home building collapse and the economic recession.

Certainly the past economic challenges and the real estate collapse have had a negative effect on the Utah Golf industry although in a less severe form than in virtually any other part of the country. This can mostly be tied directly to our public golf nature. Over the past year Utah Golf has experienced an average 5% increase in golf revenues. Of course this may not be the experience for all golf facilities in the state but does indicate a positive trend upwards. With the nation's youngest population residing in Utah their desire for managed open space, higher home and lifestyle benefits, and low recreations cost that golf all provide families a valued community asset through golf.

Golf facilities in the southwest Salt Lake Valley area, which are Mulligans most direct competition for golf has shown positive increases in both rounds of golf played and revenues over the past two years. The highest numbers are being generated by a few newly renovated golf facilities. Salt Lake County Golf operations have shown a steady increase over the past two years. Most of the other courses in the area have either maintained their position over the past two years or have shown moderate increases. A rebounding economy is driving some of the new growth in the golf business. The local statistics also indicate a return of corporate golf, junior golf, and family golf accounts for these new growth trends.

#### **Mulligan's Financial and Budget Analysis**

Officials at South Jordan City were kind enough to provide us a 10-year summary of financial activity for Mulligan's Golf and Games. It is assumed that the provided financial summaries came from the audited financial reports of South Jordan, and are therefore reliable and accurate.

There are several things that are apparent from the financial summary. The first is that the city made a major financial commitment in purchasing the Mulligan's property. Over \$22 million of debt was issued, of which over \$17 million has been repaid, leaving an apparent outstanding balance of \$5 million.

The debt was issued in the 2003-2004 fiscal year in the amount of \$12.5 million and in the 2005-2006 fiscal years in the amount of \$9,645,732. Bond issuance costs in the amount of \$613,912 were paid out as well. From the financial information provided it appears that the city transferred significant amounts of money in to cover the debt service in fiscal years 2006-2008, but has transferred only nominal amounts since then, relying on revenues from the operations of Mulligan's to cover the debt service since that time. The operational amounts used for debt service have totaled over \$2 million during the last 5 fiscal years (2009-2014). While the operating revenues have covered all but about \$300,000 of the cash needs of Mulligan's over that 5-year period, the operation has not put any money aside for future needs. The need for an adequate reserve fund to repair, replace, enhance and upgrade, and keep Mulligan's current with the market and with technology and innovation has not diminished--if anything, the need to keep it as not only a financially sustainable operation but as a class "A" facility that will continue to attract new and existing customers has increased.

Over the past 10 years revenues have increased 15%, while expenses have increased only 8%. This is truly remarkable, given the metrics of other operations with similar activity. South Jordan is to be commended for keeping a tight rein on expenditures--increasing less than 1% annually--while growing revenues at almost double that rate. This is especially significant when one considers that revenues have been essentially flat since the 2006-2007, while expenses during that same period of time have actually declined (although most of the decline is due to a decrease in the amount of annual depreciation taken on the facility). The net cash provided by operating activities has varied annually from \$333,000 in 2010-11, to \$525,000 in 2011-12, but has averaged over \$400,000 per year for the last ten years. Again, South Jordan is to be commended for running a good business operation that has increased revenues while holding the line on expenses.

When looking specifically at the sources of operating revenue, it is apparent that the driving range is the single largest source of revenue to the operation, providing approximately 30% of all operating revenue over the past 4 years. The miniature golf operation is the second largest source of revenue, providing approximately 25% of all operating revenue over the same period of time. Greens fees generated by the golf courses, together with golf cart rentals, provide approximately 20% of all operating revenues, while the batting cages

provide an additional 12% of revenues over the past 4 years. The balance of revenue sources include lessons (instructor fees), and sales in the pro shop and for food and beverage. While revenues have been stable, there has been a slight decrease in greens fees, offset by higher revenues in cart rental fees. A snapshot of the operation last fiscal year (2013-14) shows that the driving range accounted for \$377,000 (31%) of operating revenues, greens fees and cart rentals provided \$260,000 (21%) of operating revenues, miniature golf accounted for \$299,000 (25%) of operating revenues, batting cages provided \$142,000 (12%) of operating revenues, and all other revenue sources accounted for the remaining \$141,000 (11%) of operating revenues. Again, while there has not been overall growth in revenues, the operation has held its own against competition for the recreation dollar in the south end of the Valley, even in the recessionary period.

A source of concern, however, is the fact that revenues have not grown, and there is certainly a marketplace restraint in the amount that can be charged for each activity without decreasing the number of participants. In looking at the amounts charged for each activity, when benchmarked against facilities offering similar types of activities, it appears that South Jordan is in line with other operations, and is actively monitoring any opportunities for price elasticity in the activities offered. It also appears that they are actively trying to innovate with regard to other activities that could be incorporated into the existing operation.

With regard to operating expenses, it is notable that full-time salaries have decreased over the past 5 fiscal years, from \$262,000 to \$215,000--a decrease of 20%. Part-time wages have not increased during that same time period. Overall, employee wages and benefits have decreased 15%--a truly remarkable accomplishment. While some of this may be due to separating out lesson revenues from regular wages, the fact that South Jordan has held the line is to be commended. Other expenditures have been held in check as well, with materials and supplies decreasing from \$89,000 to \$82,000, and other expenditures increasing from \$180,000 to \$211,000 (although \$29,000 of this increase was due to showing bank service charges as a separate line item). The only possible areas of potential savings may be achieved through decreasing the number of full-time personnel and increasing the number of part-time personnel. This potential should be examined, but no specific recommendation is made at this time. Given the different activities, the snack bar, and the pro shop, Mulligan's is certainly not overstaffed in terms of number of hours needed to operate the facility.

The number of paying patrons and customers visiting Mulligan's has held steady at approximately 156,000 per year, and while the operation is somewhat weather dependent, it has been very stable. The question is, will Mulligan's be able to retain existing customers and attract new customers over the next 5-10 years, and what will it take for this to occur? Recreational facilities need to be constantly maintained, updated, and made more interesting and attractive to keep patrons returning and spending their recreational

money. The challenge that South Jordan will face will be to successfully compete with other, newer facilities recently built or under construction, and with other golf courses and driving ranges that surround it within 20-30 minute drive time. Certainly the growth in the south end of the Salt Lake Valley will provide additional potential customers, but attracting and retaining those patrons should not be considered a given. Marketing and programs designed to attract and enhance the residential, corporate, institutional, and other customer must be developed and implemented. Additionally, the facility must brand itself as an attractive destination for the activities it provides.

Whether the City of South Jordan paid too much for the land and the facility known as Mulligan's is a moot question--it is done and the facility is getting closer to being debt-free. Whether the City should keep Mulligan's as it is or change it is a policy and political question that must be answered ultimately by South Jordan elected officials. If it is decided to keep it substantially as it is now, then the question and challenge is, what can be done to make it as successful as possible?

#### **Mulligan's Physical Facilities Analysis**

As noted previously Mulligan's has a unique composition of facility assets. Mulligan's South Jordan offers the following amenities

- a state of the game "driving range" which includes both tiered driving range mat areas, and grass areas
- an 18 hole miniature golf course
- batting cages
- two large practice greens and chipping areas
- a nine hole par-3 course
- a nine hole executive length golf course
- a fully equipped maintenance facility and parking area
- A fleet of rental golf carts and other operational equipment.

The course is located in a prime southwest Salt Lake Valley location at 692 West 106,000 South, South Jordan, UT. It is bordered by residential development on the south and north sides of the facility. It is bordered on the east with environmentally restricted areas. There is a large commercial development located immediately across 106,000 South Street to the south. 106,000 South Street is a major thoroughfare connecting the South Jordan area to both I-15 and Bangerter Hwy. This location makes the Mulligan's Golf and Games location a prime golf business venue.

For the most part the physical facilities are in good to excellent shape. There are some needed upgrades for the facility. Several of the ponds and other course areas are in need of repair and the retaining upgrades. Some of the driving range mats and balls may need upgrading more often. Daily maintenance and cleaning of the range tees and consistently good maintenance on both the "par three course" and the "executive course" are critical to maintain or increasing potential course revenues. Consistent course maintenance and

watering; regular mowing, and general outdoor maintenance of the golf courses and facility upkeep are critical to ensuring continuing positive revenue generation.

As noted under the financial analysis it is important that all facility assets be kept at level of good repair and maintenance in order to maintain and increase a quality customer base. Customer loyalty is a key component to maintaining a viable financial status. In a few of our patron interviews there were some comments rating the facility maintenance and service as being inconsistent and sometimes course maintenance was poor. Because of the timing of our report we were unable to personally witness many of the suggested maintenance problems. It is critical that the grass teeing areas; the driving range mats and balls and the service equipment be kept in excellent condition and that a high quality of personal service be maintained as rated by consumers. This will insure a positive revenue trend and avoid an eroding customer base.

The location of the Mulligan's facility is one of the prime commercial locations in the southwest Salt Lake Valley. It certainly has a large dollar potential if it were to be commercially or residentially sub-divided. However, all of the people that we interviewed for this report expressed an unsolicited desire to keep Mulligan's as managed open space/green belt. We understand that South Jordan City is seeking residents' opinions on the issue of commercially developing the Mulligan's location. Final use of the Mulligan's property will be determined by the city council. For the purpose of this report we will treat the Mulligan's location as a continuing financial and recreational asset for our continuing evaluation.

### **General Operations Analysis**

In reviewing Mulligan's assets and operations it was clear that they are not a traditional golf facility nor should that try to be. There are other traditional eighteen-hole golf facilities located in or near South Jordan City that can provide a more traditional golf experience for South Jordan residents. Mulligan's provides a new-age golf experience for families, youth, and beginning golfers. It is our opinion that the operations at Mulligan's should enhance or maximize these current golf activity trends and focus on maintaining the current mix of operations that they offer. This unique mix of recreational assets should be considered as one of Mulligan's competitive assets.

Mulligan's operational and management structure seems to be consistent with other similar operations and for the most part in line with other municipally operated facilities. The overall operational management of the facility is at a better than average level and compares well to other golf facilities in the area.

Through the research and analysis process we were able to observe and identify several management points that could improve the overall effectiveness of the operation and additionally improve employee efforts and moral.

- Although there are implied goals and standards of operation within the Mulligans operation it lack clearly defined goals and a defined mission statement or statement of purpose.



- The statement of clear goals and expectations for all Mulligan's employees that relate back to a primary mission statement is critical to its continued operational success.
- The uncertainty of Mulligan's future has had a negative impact on both the employees and the patrons of Mulligan's. This uncertain future has additionally negatively affected revenues and the effective retention of a consistent customer base.
- There seems to be a lack of communication between Mulligan's and other South Jordan City departments and the City Council. They feel isolated and not a part of the city's administrative team.
- One of the anomalies between the Mulligan's and other municipal operations is that they do not have a direct tie to the other recreational programs and departments within the city. The Mulligan's operation looks and feels isolated from other city entities. We suggest that Mulligans included in South Jordan's overall recreation goal setting and program planning. Mulligan's golf should be represented at other administrative meetings within the city in order to increase communication and achieve comprehensive goal participation and focus. One of the most effective ways to promote increased program success is the cooperative promotion of programs and activities between departments and different sports activities.
- A more defined management flow chart highlighting the chain of command and who reports to who is needed.
- A better method for setting goals, assessing those standards, and holding employees accountable for achieving those goals needs to be instituted. We suggest that monthly meetings that review revenues and operations should take place with upper city management. These meetings should including the department manager and the key facility managers (Golf Professional, Course Superintendent, and the Customer Service Supervisor). From time to time other upper city management should attend these meetings. We also recommend that a (or several) non-employee customer representative be invited to regularly attend these meetings in order to attain customer/citizen based input.
- Internal golf course management and communication could also be improved. Weekly or Bi weekly meetings should be used for full time staff to evaluate programs, create awareness of current activities and help identify areas that need attention.
- Golf course staff should be trained or re-trained in customer service and policies and procedures on a regular basis. It is critical that supervisor's train and review operational activities in detail with employees and hold individual employees accountable for an excellent level of job performance. No facility or operation should ever look ignored or a little run-down.

A positive and engaged staff as well providing superbly maintained are the keys to every financially successful golf operation in Utah. Attention to details and a positive attitude from all staff can translate into financial success at Mulligan's.

### **Programs and Promotions Analysis**

The Mulligans golf operation provides many of the traditional/basic golf programs that are generally associated with a teaching and learning (driving range and short course) golf

facility. This includes a wide range of golf lessons, some corporate golf, and family or junior play. They also have introduced viable cutting edge programs to the mix with some varied success. The new and innovative “foot golf/soccer golf” program on the par-three course seems to have brought some incremental income and some new customers into the operation. A corporate “lunch and driving range package” seems to have been less successful. The following are suggested updates to existing programs and suggested new programs that could be implemented to drive up revenues. Each program needs to be fully evaluated after each season and a determination made concerning new improvements or cancellation of the program.

- All lesson programs should be reevaluated from top to bottom for effectiveness in retaining customers (building new and active golfers) and by the overall increase in revenues related to the lessons. It is important that a cohesive program to introduce beginning lessons to the golf course so that they become active golfers. The PGA Get Golf Ready lesson program is turnkey and helps instructors build beginning lessons into valued golf customers. It also supplies a method to track the pupil's activities and revenue commitment at the course. Almost 80% of new golfers play golf and spend their valuable resources at the place that they learn to play. All lesson programs need to have the cohesive goal of building new customers.
- Mulligans may offer the best learning center facilities in the state. The lesson program needs review and expansion to take advantage of this asset. Junior golf clinics and lessons as well as family golf activities need to be established and actively promoted through the other South Jordan City recreational programs, at their facilities, and through social media.
- Mulligans should look into creating formal senior league play, ladies play, and junior league play. This continues the goal of creating valued and active customers. Mulligan's Golf and Games is the perfect golf course for these types of groups. Women's golf is the single fastest growing segment of the golf industry. Studies have shown that women control 87% of discretionary household spending, so having them involved in the programs at Mulligans could be a huge revenue source.
- The South Jordan area has a large family oriented, upper-middle class population which is perfect demographics for promoting the game of golf. Mulligans should consider expanding their corporate golf programs. There is a large market for corporate family golf days. No facility in the area offers the number of options for a corporate activity as Mulligans does. There are various support materials available through the Utah Section PGA to enhance corporate golf day activities.
- Neither the food and beverage operation nor the golf shop operations will currently support expanded senior, ladies, or corporate operations. There are many operational challenges to expanding food and beverage operations to support increased activities. The margins are very tight in food and beverage operations. They can be a very beneficial support amenity but there are several expansion risks. The Mulligans area has numerous competing food and beverage facilities within one-half mile of their location but they will still need to expand the food and beverage operation as well as the golf shop inventory to support new revenue programs and the overall positive impression of Mulligans. Listed below are a few options:

- Lease the food and beverage operation out to another outside F&B business at a reasonable lease rate.
- Using the new food truck trend by inviting them to stage at Mulligans especially for special events.
- Use an outside catering service for special events.
- Currently little time or money are spent on advertising and promoting Mulligan's. In that Mulligans is a unique golf facility with a majority of their revenues coming from the family entertainment aspects of the operation, we recommend a well-planned promotional campaign be initiated. The promotional plan should include effective internal city promotions through calendars, schedules, flyers and in coordination with other city recreational entities. An effective "social media/digital marketing" program with some radio and print media exposure can be developed for less than a \$9,000.00 cost.

### **Report Summary**

Mulligan's Golf and Games has great potential as a golf learning center and a family recreational activities center. It has a solid financial future especially when the initial purchase bonding is retired. They compare well with their competition and are viewed as an asset with the expanded South Jordan golf community. Local golf is trending up in both rounds played (uses) and revenues especially amongst Mulligans key target demographic groups.

Although currently running at a slight budget deficit, if the new operational suggestions are effectively implemented and the state economy continues to grow Mulligans should be self-sustaining within a short period of time. Having Mulligans operation achieve sustainability would reinforce the initial decision to invest in Mulligan's Golf and Games.

Generally administrative services provided by Mulligans are adequate to above average. The weaker aspects of the operation have been noted in the full report. What doesn't show up in the finance reports and the miss-perception that Mulligan's is not financially viable or the consideration for the lifestyle and greenbelt benefits that South Jordan residents enjoy.

This report focuses on operational and facility evaluations. It does not delve into the sale of the facility or possible alternate uses for the land. This is a decision to be made by the South Jordan City Council however a mixed recreational use combined with a limited commercial use plan is possible. The par-three and executive courses could be re-routed to include space for some restricted use commercial projects. The costs of the changes must be evaluated against the return and the potential loss of Mulligans revenue. Our team would not recommend mixed use changes at this time. A plan of that kind would need a lot more research and study and is not part of the scope of this report.

We hope that you find this report useful and that it will have benefit for both the City of South Jordan and its residents.

Please feel free to forward any additional questions or clarifications to the report team.